

**IN THE UNITED STATE DISTRICT COURT
MIDDLE DISTRICT OF ALABAMA**

RECEIVED

2007 JUN -5 P 2: 25

Bishop William D. Paul

Petitioner

vs.

UNITED STATES

Respondent

PETITION TO QUASH SUMMONS

DEBRA P. HACKETT, CLK
U.S. DISTRICT COURT
MIDDLE DISTRICT ALA

2:07-mc-3367-MHT

COMES NOW, the Petitioner, by and through Pro'se Bishop William D. Paul, has
Petitioned the court to Quash Summons - reasons being:

1. Jurisdiction-The United States district court for which this Petition to Quash is
filed is the district within which the entities/person resides.
2. The Names and addresses of the entity to whom the notices are directed

Mark Mire, Special Agent
2204 Lakeshore Drive Suite 210
Homewood, AL 35209

Tuskegee bank
301 N. ELM Street,
Tuskegee, AL 36083

Regions Bank
P.O. Box 10247
Birmingham, AL 35202

Compass Bank
15 South 20th Street
Suite 1403,
Birmingham AL 35233

United State Attorney General
950 Pennsylvania Ave.
Washington, D.C. 20530

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

Internal Revenue Service, Secretary/Director.
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

3. The entities of records. See attachments. A-H and Summons.

4. The legal argument supporting the relief requested are:

Statement: The entities of record are conducting a criminal investigation on Bishop William D. Paul for not filing a 1040 tax-return.

On June 1, 2007, after speaking by phone conversation with IRS tax-exempt official regarding my religious activities, I received confirmation in the matter of 'vow of poverty' and the performing of duties required by the order. It states, "you are exempt from income tax withholding" (1040 filing) and from "Social Security". I proceeded to call IRS tax-payer advocate officials. After speaking to an official, I was assigned a case number #3925312. I was informed that within seven (7) business days, a case representative will be assigned to assist me in the above mention. I asked her why the IRS was investigating me? She looked into my IRS records, and stated there are no records of any hearing, meeting or filing found but the IRS tax-payer advocate would find out why the criminal investigation is been conducted by the IRS.

I then contacted the IRS agent who is conducting the criminal investigation, Mark Mire, Special Agent. I asked him, why are you conducting a criminal investigation? He stated, "because you have not filed your 1040 tax returns".

The reason why I have not filed 1040 tax returns is because of IRS instructions which state, not to file income taxes. Therefore, if I must file 1040 tax returns, I will. However, the information contained in the IRS publications is wrong. My legal arguments are below.

LEGAL ARGUMENT 1.

1. 517 publication pages 2 and 3 under Members of Religious orders, Vow of poverty. This states, a member of a religious order who has taken a vow of poverty performs as an agent of your church and of its agencies. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order. See attachment B.

NOTE: The first time that I was made aware of or told the reason for the criminal investigation (Not filing 1040 tax-returns) was on June 1, 2007.

2. IRS 557 publication (Rev. March 2005) pages: 5, 8, (Annual information Returns parts 1 and 5.) and page 18, publication. See attachment A.

3. Tax guide for Churches and Religious Organization pages 2 and 3. See attachment C.

4. Form 1023 (Rev. June 2006)
See Attachment D section Form 1023 not necessary.

5. SS-4 (Rev. February 2006).
See Attachment E Section 8a Church or church-controlled organization.

ARGUMENT 2.

The First Amendment of the United States Constitution read as follows:

“Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press, or the right of the people peaceably to assemble, and to petition the government for a redress of grievance.”

ARGUMENT 3.

Universal Life Church, Inc vs United States, 372 F.

Supp. 700, 776 (ED. Cal (1974)

“Neither this court nor any branch of this government will consider the merits or fallacies of a religion. Nor will the court compare the beliefs, dogmas, an practice a newly organized religion with those of any older, more established one. Nor will the court praise or condemn a religion, however, excellent or fanatical or

preposterous it may seem. Were the court to do so, it would impinge upon the guarantees of the First Amendment.”

Judge Brattin for the Eastern District of California;

ARGUMENT 3.
IRS DEFINING CHURCH

CHURCH (EKKLESIA)

In tax guide for Churches and Religious Organization IRS violates the guarantees of the First Amendment (pages 2 and 3. See attachment C.).

IRS states, “The term Church is found, but not specifically defined in the Internal Revenue Code (IRC)”

The word “Church” has been defined. The word “Church” has come down to us in the English language from the Greek word, Ekklesia. As we speak our native tongue, we create mental pictures so we are constantly converting words into picture scenes. However, our Lord said in the New Testament, “For where two or three are gathered together, there am I in the midst of them” Matthew 18:20.

The truth of the matter is that families and groups of family make up an ekklesia as long as they gather out, in and for Christ...an ekklesia is translated from the Greek as... those who are gathered out in Christ.

1 *Explanation: Under 6033, A church or religious order has complete immunity to disclosure. It is not necessary for you to maintain records of any kind except for your own purpose and reasons.*

2 *Section 6033(a) exempts religious organizations from the need for filing returns of any kind.*

3. *Section 6033(a) (2) (A) Mandatory Exceptions Paragraph (1) shall not apply to –(i) churches.*

4. *Section 6033 (a) (2) (A) (1) provides for mandatory exceptions to filing requirements for religious organizations and states that filing requirements shall not apply to “church”, their integrated auxiliaries, and conventions or associations of churches.*

5. *Section 6033 (a)(2) (iii) exempts as well ``the exclusive religious activities of any religious order''.*
6. *CODE 6933 (b) (1)- No return shall be required under this subsection from churches, their integrated auxiliaries, conventions or associations of churches. REG. 1, 6043-3- Returns regarding liquidation, termination or substantial Contraction or organization exempt from taxation under 501 (a), (Vol.3 no,325).*
7. *Reg. 1. 6043-3(b)- Exceptions. The following organizations are not required to file the return described in paragraph (a) of this Section.*
8. *Reg. 1. 6043-3(b)(1)- Churches, their auxiliaries, or conventions or association of churches.*

ARGUMENT 4.

Church : relates to Christians, not other religious organizations.

1. In the first Amendment of the Constitution, "church" is not found, but "religion" is.

Comment: The first Amendment of the United States Constitution states "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof."

Comment: The language, "separation of church and state" is in violation of the Constitution. This is identifying and persecuting Christians.

Separation of "church and state" relates to Christians, not other religious organizations.

Example: The Christians' place of worship is called church.

The Buddhists place of worship is called Shrine, not church.

The Jewish place of worship is called Synagogue, not church.

The Muslims' place of worship is called Mosque, not church.

Comment: Any person, including any governmental official, within the Jurisdiction of the United States Constitution, who acts to prefer one religion to any in an official capacity, is acting in violation of the Constitution.

Therefore, you can clearly see above, that separation of state and church is inappropriate and unconstitutional. The Constitution states it shall be **separation of state and religion**, not separation of state and church which encompasses all religious organizations, including the church.

Comment: Any law opposed to the Constitution of the United States is as if it were **NO LAW AT ALL**.

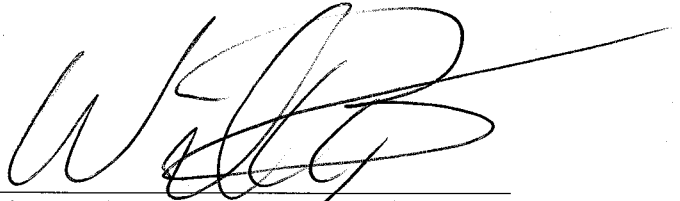
ARGUMENT 5.

TAXES THE CHURCH

The IRS is charging a user's fee of \$750.00 to churches and religious organizations in order to be recognized as a religious legal entity as a tax exempt organization. This is unconstitutional.

Comment: This is a violation of our Great Constitution which prohibits. **TAXATION WITHOUT REPRESENTATION** and the 1st Amendment.

Dated this 5th day of June, 2007



Bishop William D. Paul, Pro'se
Petitioner
102 Meadow Wood
Wetumpka, AL 36093
(334) 514-4383

CERTIFICATE OF SERVICES

I hereby certify that I have served a copy of the foregoing upon:

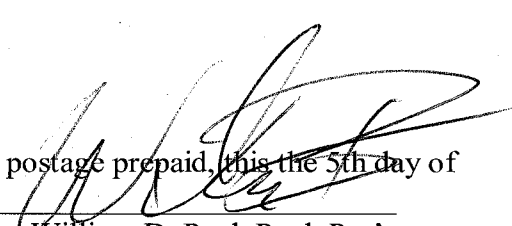
Mark Mire, Special Agent
2204 Lakeshore Drive Suite 210
Homewood, AL 35209

United State Attorney General
950 Pennsylvania Ave.
Washington, D.C. 20530

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

Internal Revenue Service, Secretary/Director.
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

by depositing a copy of the same in the U.S. Mail, postage prepaid, this the 5th day of June.


Bishop William D. Paul, Paul, Pro'se
Petitioner
102 Meadow Wood
Wetumpka, AL 36093
(334) 514-4383

U.S. Attorney Leura Canary
P.O. Box 197
Montgomery, AL
36101

Attachment A



Department
of the
Treasury

Internal
Revenue
Service

Publication 557

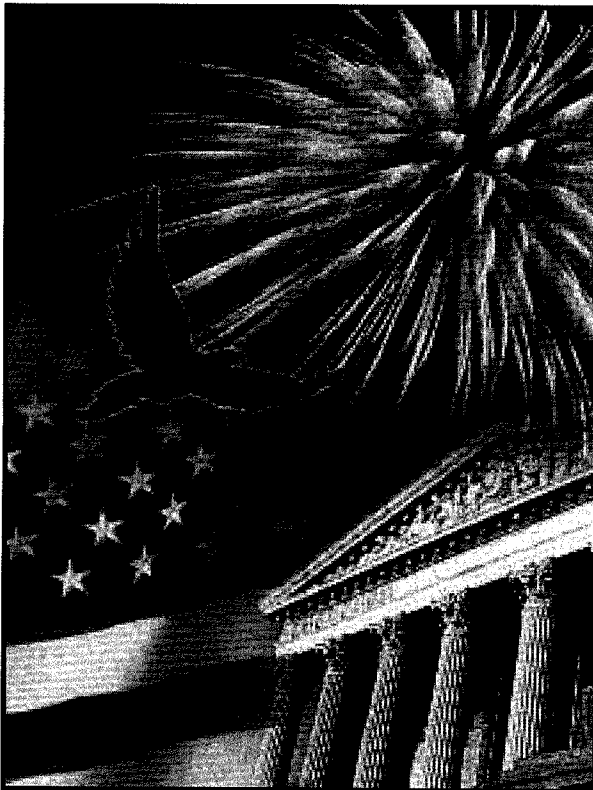
(Rev. March 2005)

Cat. No. 46573C

Tax-Exempt Status for Your Organization



Form 1023, Application for Exemption Under Section 501(c)(3) of the Internal Revenue Code (Rev. October 2004), has been substantially revised. Changes to Form 1023 are not reflected in the text of this publication. However, the major changes to Form 1023 are briefly discussed on this cover page.



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The information requested on the revised Form 1023 has substantially increased, thereby minimizing the need for additional information from the filer during the approval process. Specific changes to the form include the following:

- Form 8718, User Fee for Exempt Organization Determination Letter Request, has been incorporated into Part X of Form 1023. Therefore, when filing the new Form 1023 you will not need to file Form 8718 to determine the correct user fee.
- The automatic 27-month retroactive exemption rule pursuant to Rev. Proc. 92-85, 1992-2 C.B. 490 has been incorporated into the application.
- You can no longer submit Form SS-4, Application for Employer Identification Number, with the application. You must have an Employer Identification Number (EIN) prior to filing Form 1023.
- Limited liability companies have been added as a type of organization eligible to apply for tax-exempt status under section 501(c)(3) of the Code.
- Questions about compensation and other financial arrangements with officers, directors, trustees, highly compensated employees, and highly compensated independent contractors aimed at determining whether benefits are appropriate have been added to Part V.
- Form 872-C, Consent Fixing Period of Limitation Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code, has been obsolete and the required information has been incorporated into Part X. Therefore, when filing the new Form 1023, you will not need to submit Form 872-C.
- A **new Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation** was created to consolidate questions and financial data in one place that relates to whether an exemption can be made retroactive to the organization's date of formation.
- **Schedule H** incorporates advance ruling procedures for private foundations requesting advance approval of individual grant procedures.

Caution. Organizations that have begun completing the prior revision (Rev. September 1998) may file it until April 30, 2005. Beginning May 1, 2005, only the Form 1023 (Rev. October 2004) will be accepted.

Item to note. Section 317 of the American Jobs Creation Act of 2004, provides that a farmer's cooperative is eligible for declaratory judgment relief with respect to the initial classification or continuing classification as an organization exempt under section 521(a) of the Code.

This includes standards, procedures, or other means adopted or planned by the organization for carrying out its activities, expected sources of funds, and the nature of its contemplated expenses.

When an organization does not supply the information previously mentioned under *Application Procedures*, or fails to furnish a sufficiently detailed description of its proposed activities to permit a conclusion that it will clearly be exempt, a record of actual operations may be required before a ruling or determination letter is issued.

Adverse determination. If an organization is unable to describe fully its purposes and activities, resulting in a refusal by the IRS to issue a ruling or determination letter, that refusal is considered an adverse determination, which the organization can appeal. See *Appeal Procedures*, later.

Effective Date of Exemption

A ruling or determination letter recognizing exemption is usually **effective as of the date of formation of an organization** if, during the period before the date of the ruling or determination letter, its purposes and activities were those required by the law. (See *Application for Recognition of Exemption* in chapter 3 for the special rule for organizations applying for recognition of exemption under section 501(c)(3).) Upon obtaining recognition of exemption, the organization may file a claim for a refund of income taxes paid for the period for which its exempt status is recognized.

If an organization is required to alter its activities or substantially amend its charter to qualify, the ruling or determination letter recognizing exemption will be **effective as of the date specified in the letter**. If a nonsubstantive amendment is made, such as correction of a clerical error in the enabling instrument or the addition of a dissolution clause, exemption will ordinarily be recognized as of the date of formation if the activities of the organization before the ruling or determination are consistent with the exemption requirements.

A ruling or determination letter recognizing exemption may not be relied upon if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization.

Revocation or Modification of Exemption

A ruling or determination letter recognizing exemption may be revoked or modified by:

1. A notice to the organization to which the ruling or determination letter originally was issued,
2. Enactment of legislation or ratification of a tax treaty,
3. A decision of the United States Supreme Court,
4. Issuance of temporary or final regulations, or
5. Issuance of a revenue ruling, a revenue procedure, or other statement published in

the *Internal Revenue Bulletin* or *Cumulative Bulletin*.

When revocation takes effect. If the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, with regard to organizations to which section 503 applies, engaged in a prohibited transaction (such as diverting corpus or income from its exempt purpose), the revocation or modification may be retroactive.

Material change in organization. If there is a material change, inconsistent with exemption, in the character, purpose, or method of operation of the organization, revocation or modification will ordinarily take effect as of the date of that material change.

Relief from retroactivity. If a ruling or determination letter was issued in error or is no longer in accord with the holding of the IRS, and if section 7805(b) relief is granted, retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter was modified or revoked. For more information on requesting section 7805(b) relief, see Revenue Procedure 2003-4 (or later update).

Foundations. The determination of the effective date is the same for the revocation or modification of foundation status or operating foundation status unless the effective date is expressly covered by statute or regulations.

Written notice. If an EO area manager concludes, as a result of examining an information return or considering information from any other source, that a ruling or determination letter should be revoked or modified, the organization will be advised in writing of the proposed action and the reasons for it.

The organization will also be advised of its right to protest the proposed action by requesting Appeals Office consideration. The appeal procedures are discussed next.

Appeal Procedures

If an organization applies for tax-exempt status and receives an adverse determination letter, the organization will be advised of its right to protest the determination by requesting Appeals Office consideration. The organization must send its protest to the EO area manager of the office issuing the adverse letter. The letter must be sent within 30 days from the date of the adverse determination letter and must state whether it wishes an Appeals Office conference.

Representation. A principal officer or trustee may represent an organization at any level of appeal within the IRS. Or, the organization may be represented by an attorney, certified public accountant, or individual enrolled to practice before the IRS.

If the organization's representative attends a conference without a principal officer or trustee, the representative must file a proper power of attorney or a tax information authorization before receiving or inspecting confidential information. Form 2848, or Form 8821, *Tax Information Authorization*, as appropriate (or any other properly written power of attorney or authoriza-

tion), may be used for this purpose. These forms may be obtained from the IRS. For more information, get Publication 947, *Practice Before the IRS and Power of Attorney*.

Appeals Office Consideration

The protest to the Appeals Office should be filed with the local Appeals Office considering the application and contain all of the following information.

1. The organization's name, address, and employer identification number.
2. A statement that the organization wants to protest the determination.
3. The date and symbols on the determination letter.
4. A statement of facts supporting the organization's position in any contested factual issue.
5. A statement outlining the law or other authority the organization is relying on.
6. A statement as to whether a conference at the Appeals Office is desired.

The statement of facts (item 4) must be declared true under penalties of perjury. This may be done by adding to the protest the following signed declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this protest and in any accompanying schedules and statements and, to the best of my knowledge and belief, it is true, correct, and complete."

Signature.

If the organization's representative submits the protest, a substitute declaration must be included, stating:

1. That the representative prepared the protest and accompanying documents, and
2. Whether the representative knows personally that the statements of fact contained in the protest and accompanying documents are true and correct.

Be sure the protest contains all of the information requested. Incomplete protests will be returned for completion.

If a conference is requested, it will be held at the Appeals Office, unless the organization requests that the meeting be held at a field office convenient to both parties.

The Appeals Office, after considering the organization's protest as well as information presented in any conference held, will notify the organization of its decision and issue an appropriate determination letter. An adverse decision may be appealed to the courts (discussed later).

Appeals offices must request **technical advice** from EO Technical, IRS Headquarters, on any exempt organization issue concerning qualification for exemption or foundation status for which there is no published precedent or for which there is reason to believe that nonuniformity exists. If an organization believes that its case involves such an issue, it should



Submitting the required information annually does not relieve the central organization or any of its subordinates of the duty to submit any other information that may be required by an EO area manager to determine whether the conditions for continued exemption are being met.

Events Causing Loss of Group Exemption

A group exemption letter no longer has effect, for either a particular subordinate or the group as a whole, when:

1. The central organization notifies the IRS that it is going out of existence,
2. The central organization notifies the IRS, by its annual submission or otherwise, that any of its subordinates will no longer fulfill the conditions for continued effectiveness, explained earlier, or
3. The IRS notifies the central organization or the affected subordinate that the group exemption letter will no longer have effect for some or all of the group because the conditions for continued effectiveness of a group exemption letter have not been fulfilled.

When notice is given under any of these three conditions, the IRS will no longer recognize the exempt status of the affected subordinates until they file separate applications on their own behalf or the central organization files complete supporting information for their reinclusion in the group exemption at the time of its annual submission. However, when the notice is given by the IRS and the withdrawal of recognition is based on the failure of the organization to comply with the requirements for recognition of tax-exempt status under the particular subsection of section 501(c), the revocation will ordinarily take effect as of the date of that failure. The notice, however, will be given only after the appeal procedures described earlier in this chapter are completed.

2.

Filing Requirements and Required Disclosures

Introduction

Most exempt organizations (including private foundations) must file various returns and reports at some time during (or following the close of) their accounting period.

Topics

This chapter discusses:

- Annual information returns that must be filed
- The unrelated business income tax return
- Employment tax returns
- A return to report taxable income from political organizations
- Reporting requirements for certain political organizations
- A return to report the sale of certain donated property
- Information to provide to donors
- A report of cash received
- Public inspection of certain documents
- Certain required disclosures and the penalties for not making them

Useful Items

You may want to see:

Publication

- ☐ **15** Circular E, Employer's Tax Guide
- ☐ **598** Tax on Unrelated Business Income of Exempt Organizations

Form (and Instructions)

- ☐ **990** Return of Organization Exempt From Income Tax
- ☐ **990-EZ** Short Form Return of Organization Exempt From Income Tax
- ☐ **Schedule A (Form 990 or 990-EZ)** Organization Exempt Under Section 501(c)(3)
- ☐ **Schedule B (Form 990 or 990-EZ)** Schedule of Contributors
- ☐ **990-PF** Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
- ☐ **990-T** Exempt Organization Business Income Tax Return
- ☐ **1120-POL** U.S. Income Tax Return for Certain Political Organizations
- ☐ **8300** Report of Cash Payments Over \$10,000 Received in a Trade or Business
- ☐ **8868** Application for Extension of Time to File an Exempt Organization Return
- ☐ **8870** Information Return for Transfers Associated with Certain Personal Benefits Contracts
- ☐ **8871** Political Organization Notice of Section 527 Status
- ☐ **8872** Political Organization Report of Contributions and Expenditures

See chapter 5 for information about getting these publications and forms.

Annual Information Returns

Every organization exempt from federal income tax under section 501(a) must file an annual information return **except**:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (as defined later under *Religious Organizations* in chapter 3),
2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs,
3. A school below college level affiliated with a church or operated by a religious order, even though it is not an integrated auxiliary of a church,
4. A mission society sponsored by or affiliated with one or more churches or church denominations, more than half of the society's activities are conducted in, or directed at, persons in foreign countries,
5. An exclusively religious activity of any religious order,
6. A state institution, the income of which is excluded from gross income under section 115,
7. A corporation described in section 501(c)(1) [a corporation that is organized under an Act of Congress and is:
 - a. an instrumentality of the United States, and
 - b. exempt from federal income taxes],
8. A black lung benefit trust described in section 501(c)(21) [Required to file Form 990-BL, *Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons*. See chapter 4 for more information.],
9. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. [required to file Form 5500, *Annual Return/Report of Employee Benefit Plan*],
10. A religious or apostolic organization described in section 501(d) [required to file Form 1065, *U.S. Return of Partnership Income*],
11. A foreign organization described in section 501(a) [other than a private foundation] that normally does not have more than \$25,000 in annual gross receipts from sources within the United States and has no significant activity in the United States. For further information, see Revenue Procedure 94-17, 1994-1 C.B. 579,
12. A governmental unit or an affiliate of a governmental unit that meets the requirements of Revenue Procedure 95-48, 1995-2 C.B. 418,
13. An exempt organization (other than a private foundation, discussed in chapter 3) having gross receipts in each tax year that

normally are not more than \$25,000. (See the instructions for Form 990 for more information about what constitutes annual gross receipts that are normally not more than \$25,000.)

14. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file Form 990–PF), or
15. A United States possession organization described in section 501(a) [other than a private foundation] that normally does not have more than \$25,000 in annual gross receipts from sources within the United States and has no significant activity in the United States. For further information, see Revenue Procedure 2003-21, Internal Revenue Bulletin 2003-6.

Forms 990 and 990–EZ. Exempt organizations, other than private foundations, must file their annual information returns on Form 990, or Form 990–EZ.

Generally, political organizations with gross receipts of \$25,000 (\$100,000 for a qualified state or local political organization (QSLPO)) or more for the tax year are required to file Form 990 (990–EZ) unless specifically excepted from filing the annual return. The following political organizations are not required to file Form 990 (Form 990–EZ).

- A state or local committee of a political party.
- A political committee of a state or local candidate.
- A caucus or association of state or local officials.
- A political organization that is required to report as a political committee under the Federal Election Campaign Act.
- A 501(c) organization that has expenditures for influencing or attempting to influence the selection, nomination, election or appointment of any individual for a federal, state or local public office.

Form 990–EZ. This is a shortened version of Form 990. It is designed for use by small exempt organizations and nonexempt charitable trusts.

An organization may file Form 990–EZ, instead of Form 990, if it meets **both** of the following requirements.

1. Its gross receipts during the year were less than \$100,000.
2. Its total assets (line 25, column (B) of Form 990–EZ) at the end of the year were less than \$250,000.

If your organization does not meet either of these conditions, you cannot file Form 990–EZ. Instead you must file Form 990.

Group return. A group return on Form 990 may be filed by a central, parent, or like organization for two or more local organizations, none of which is a private foundation. This return is in addition to the central organization's separate annual return if it must file a return. It cannot be included in the group return. See the instructions for Form 990 for the conditions under which this procedure may be used.



In any year that an organization is properly included as a subordinate organization on a group return, it should not file its own Form 990.

Schedule A (Form 990 or 990–EZ). Organizations, other than private foundations, that are described in section 501(c)(3) and that are otherwise required to file Form 990 or 990–EZ must also complete Schedule A of that form.

Schedule B (Form 990 or 990–EZ). Organizations that file Form 990 or 990–EZ use this schedule to provide required information regarding their contributors.

Form 990–PF. All private foundations exempt under section 501(c)(3) must file Form 990–PF. These organizations are discussed in chapter 3.

Due date. Form 990, 990–EZ, or 990–PF must be filed by the 15th day of the 5th month after the end of your organization's accounting period. Thus, for a calendar year taxpayer, Form 990, 990–EZ, or 990–PF is due May 15 of the following year.



Use Form 8868 to request an automatic 3-month extension of time to file Form 990, 990–EZ, or 990–PF and also to apply for an additional (not automatic) 3-month extension if needed.

Do not apply for both the automatic 3-month extension and the additional 3-month extension at the same time. For more information, see Form 8868 and its instructions.

Application for exemption pending. An organization that claims to be exempt under section 501(a) of the Code but has not established its exempt status by the due date for filing an information return should complete and file Form 990 or 990–EZ (or Form 990–PF if it considers itself a private foundation). If the organization's application is pending with the IRS, it must so indicate on Form 990, 990–EZ, or 990–PF (whichever applies) by checking the **application pending** block at the top of page 1 of the return.

For more information on the filing requirements, see the instructions for Forms 990, 990–EZ, and 990–PF.

State reporting requirements. Copies of Form 990, 990–EZ, or 990–PF may be used to satisfy state reporting requirements. See the instructions for those forms.

Form 8870. Organizations that filed a Form 990, 990–EZ, or 990–PF, and paid premiums or received transfers on certain life insurance, annuity, and endowment contracts (personal benefit contracts), must file Form 8870. For more information, see Form 8870 and its instructions.

Penalties for failure to file. An exempt organization that fails to file a required return must pay a penalty of \$20 a day for each day the failure continues. The same penalty will apply if the organization does not give all the information required on the return or does not give the correct information.

Maximum penalty. The maximum penalty for any one return is the smaller of \$10,000 or 5% of the organization's gross receipts for the year.

Organization with gross receipts over \$1 million. For an organization that has gross receipts of over \$1 million for the year, the penalty is \$100 a day up to a maximum of \$50,000.

Managers. If the organization is subject to this penalty, the IRS may specify a date by which the return or correct information must be supplied by the organization. Failure to comply with this demand will result in a penalty imposed upon the manager of the organization, or upon any other person responsible for filing a correct return. The penalty is \$10 a day for each day that a return is not filed after the period given for filing. The maximum penalty imposed on all persons with respect to any one return is \$5,000.

Exception for reasonable cause. No penalty will be imposed if reasonable cause for failure to file timely can be shown.

Unrelated Business Income Tax Return

Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income. Unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis for the organization's exemption. An exempt organization that has \$1,000 or more of gross income from an unrelated business must file **Form 990–T**.

The obligation to file Form 990–T is in addition to the obligation to file the annual information return, Form 990, 990–EZ, or 990–PF.

Estimated tax. Exempt organizations must make quarterly payments of estimated tax on unrelated business income. An organization must make estimated tax payments if it expects its tax for the year to be \$500 or more.

Travel tour programs. Travel tour activities that are a trade or business are an unrelated trade or business if the activities are not substantially related to the purpose to which tax exemption was granted to the organization.

Whether travel tour activities conducted by an organization are substantially related to the organization's tax exempt purpose is determined by looking at all the relevant facts and circumstances, including, but not limited to, how a travel tour is developed, promoted, and operated.

Example. ABC, a university alumni association, is tax exempt as an educational organization under section 501(c)(3) of the Code. As part of its activities, ABC operates a travel tour program. The program is open to all current members of ABC and their guests. ABC works with travel agents to schedule approximately ten tours annually to various destinations around the world. Members of ABC pay \$1,000 to XYZ Travel Agency to participate in a tour. XYZ pays ABC a per person fee for each participant. Although the literature advertising the tours encourages ABC members to continue their lifelong learning by joining the tours, and a faculty member of ABC's related university frequently joins the tour as a guest of the alumni association, none of the tours include any

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service, and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and UPS 2nd Day Air A.M.

Amendments to enabling instrument required. If an organization is required to alter its activities or to make **substantive amendments** to its enabling instrument, the ruling or determination letter recognizing its exempt status will be effective as of the date the changes are made. If only a **nonsubstantive amendment** is made, exempt status will be effective as of the date it was organized, if the application was filed within the 15-month period, or the date the application was filed.

Extensions of time for filing. There are two ways organizations seeking exemption can receive an extension of time for filing Form 1023.

1. **Automatic 12-month extension.** Organizations will receive an automatic 12-month extension if they file an application for recognition of exemption with the IRS within 12 months of the original deadline. To get this extension, an organization must add the following statement at the top of its application: "Filed Pursuant to Section 301.9100-2."
2. **Discretionary extensions.** An organization that fails to file a Form 1023 within the extended 12-month period will be granted an extension to file if it submits evidence (including affidavits) to establish that:
 - a. It acted reasonably and in good faith, and
 - b. Granting a discretionary extension will not prejudice the interests of the government.

How to show reasonable action and good faith. An organization acted reasonably and showed good faith if at least one of the following is true.

1. The organization requests relief before its failure to file is discovered by the IRS.
2. The organization failed to file because of intervening events beyond its control.
3. The organization exercised reasonable diligence (taking into account the complexity of the return or issue and the organization's experience in these matters) but was not aware of the filing requirement.
4. The organization reasonably relied upon the written advice of the IRS.
5. The organization reasonably relied upon the advice of a qualified tax professional who failed to file or advise the organization

to file Form 1023. An organization cannot rely on the advice of a tax professional if it knows or should know that he or she is not competent to render advice on filing exemption applications or is not aware of all the relevant facts.

Not acting reasonably and in good faith.

An organization has not acted reasonably and in good faith under the following circumstances.

1. It seeks to change a return position for which an accuracy-related penalty has been or could be imposed at the time the relief is requested.
2. It was informed of the requirement to file and related tax consequences, but chose not to file.
3. It uses hindsight in requesting relief. The IRS will not ordinarily grant an extension if specific facts have changed since the due date that makes filing an application advantageous to an organization.

Prejudicing the interest of the government.

Prejudice to the interest of the government results if granting an extension of time to file to an organization results in a lower total tax liability for the years to which the filing applies than would have been the case if the organization had filed on time. Before granting an extension, the IRS may require the organization requesting it to submit a statement from an independent auditor certifying that no prejudice will result if the extension is granted.

The interests of the Government are ordinarily prejudiced if the tax year in which the application should have been filed (or any tax year that would have been affected had the filing been timely) are closed by the statute of limitations before relief is granted. The IRS may condition a grant of relief on the organization providing the IRS with a statement from an independent auditor certifying that the interests of the Government are not prejudiced.

Procedure for requesting extension. To request a discretionary extension, an organization must submit (to the IRS address shown on Form 8718) the following.

- A statement showing the date Form 1023 was required to have been filed and the date it was actually filed.
- Any documents relevant to the application.
- An affidavit describing in detail the events that led to the failure to apply and to the discovery of that failure. If the organization relied on a tax professional's advice, the affidavit must describe the engagement and responsibilities of the professional and the extent to which the organization relied on him or her.
- This affidavit must be accompanied by a dated declaration, signed by an individual who has personal knowledge of the facts and circumstances, who is authorized to act for the organization, which states, "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to

the request, and such facts are true, correct, and complete."

- Detailed affidavits from individuals having knowledge or information about the events that led to the failure to make the application and to the discovery of that failure. This includes the organization's return preparer, and any accountant or attorney, knowledgeable in tax matters, who advised the taxpayer on the application. The affidavits must describe the engagement and responsibilities of the individual and the advice that he or she provided.
- These affidavits must include the name, current address, and taxpayer identification number of the individual, and be accompanied by a dated declaration, signed by the individual, which states: "Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete."
- The organization must state whether the returns for the tax year in which the application should have been filed or any tax years that would have been affected by the application had it been timely made is being examined by the IRS, an appeals office, or a federal court. The organization must notify the IRS office considering the request for relief if the IRS starts an examination of any such return while the organization's request for relief is pending.
- The organization, if requested, has to submit copies of its tax returns, and copies of the returns of other affected taxpayers.

A request for this relief is a request that must be submitted as a request for a letter ruling and be accompanied by the applicable user fee.

More information. For more information about these procedures, see sections 301.9100-1, 301.9100-2, and 301.9100-3 of the regulations.

Notification from IRS. Organizations filing Form 1023 and satisfying all requirements of section 501(c)(3) will be notified of their exempt status in writing.

Organizations Not Required To File Form 1023

Some organizations are not required to file Form 1023.

These include:

- Churches, interchurch organizations of local units of a church, conventions or associations of churches, or integrated auxiliaries of a church, such as a men's or women's organization, religious school, mission society, or youth group.
- Any organization (other than a private foundation) normally having annual gross receipts of not more than \$5,000 (see *Gross receipts test*, later).

Organization Reference Chart

Section of 1986 Code	Description of organization	General nature of activities	Application Form No.	Annual return required to be filed	Contributions allowable
501(c)(1)	Corporations Organized under Act of Congress (including Federal Credit Unions)	Instrumentalities of the United States	No Form	None	Yes, if made for exclusively public purposes
501(c)(2)	Title Holding Corporation For Exempt Organization	Holding title to property of an exempt organization	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(3)	Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations	Activities of nature implied by description of class of organization	1023	990 ¹ or 990EZ ⁸ , or 990-PF	Yes, generally
501(c)(4)	Civic Leagues, Social Welfare Organizations, and Local Associations of Employees	Promotion of community welfare; charitable, educational or recreational	1024	990 ¹ or 990EZ ⁸	No, generally ^{2,3}
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products of efficiency	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(6)	Business Leagues, Chambers of Commerce, Real Estate Boards, Etc.	Improvement of business conditions of one or more lines of business	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(7)	Social and Recreational Clubs	Pleasure, recreation, social activities	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(8)	Fraternal Beneficiary Societies and Associations	Lodge providing for payment of life, sickness, accident or other benefits to members	1024	990 ¹ or 990EZ ⁸	Yes, if for certain Sec. 501(c)(3) purposes
501(c)(9)	Voluntary Employees Beneficiary Associations	Providing for payment of life, sickness, accident, or other benefits to members	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(10)	Domestic Fraternal Societies and Associations	Lodge devoting its net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members	1024	990 ¹ or 990EZ ⁸	Yes, if for certain Sec. 501(c)(3) purposes
501(c)(11)	Teachers' Retirement Fund Associations	Teachers' association for payment of retirement benefits	No Form ⁶	990 ¹ or 990EZ ⁸	No ²
501(c)(12)	Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies Etc.	Activities of a mutually beneficial nature similar to those implied by the description of class of organization	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(13)	Cemetery Companies	Burials and incidental activities	1024	990 ¹ or 990EZ ⁸	Yes, generally
501(c)(14)	State Chartered Credit Unions, Mutual Reserve Funds	Loans to members	No Form ⁶	990 ¹ or 990EZ ⁸	No ²
501(c)(15)	Mutual Insurance Companies or Associations	Providing insurance to members substantially at cost	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(16)	Cooperative Organizations to Finance Crop Operations	Financing crop operations in conjunction with activities of a marketing or purchasing association	No Form ⁶	990 ¹ or 990EZ ⁸	No ²
501(c)(17)	Supplemental Unemployment Benefit Trusts	Provides for payment of supplemental unemployment compensation benefits	1024	990 ¹ or 990EZ ⁸	No ²
501(c)(18)	Employee Funded Pension Trust (created before June 25, 1959)	Payment of benefits under a pension plan funded by employees	No Form ⁶	990 ¹ or 990EZ ⁸	No ²
501(c)(19)	Post or Organization of Past or Present Members of the Armed Forces	Activities implied by nature of organization	1024	990 ¹ or 990EZ ⁸	No, generally ⁷
501(c)(21)	Black Lung Benefit Trusts	Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases	No Form ⁶	990-BL	No ⁴

Section of 1986 Code	Description of organization	General nature of activities	Application Form No.	Annual return required to be filed	Contributions allowable
501(c)(22)	Withdrawal Liability Payment Fund	To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund	No Form ⁶	990 or 990EZ ⁸	No ⁵
501(c)(23)	Veterans Organization (created before 1880)	To provide insurance and other benefits to veterans	No Form ⁶	990 or 990EZ ⁸	No, generally ⁷
501(c)(25)	Title Holding Corporations or Trusts with Multiple Parents	Holding title and paying over income from property to 35 or fewer parents or beneficiaries	1024	990 or 990EZ	No
501(c)(26)	State-Sponsored Organization Providing Health Coverage for High-Risk Individuals	Provides health care coverage to high-risk individuals	No Form ⁶	990 ¹ or 990EZ ⁸	No
501(c)(27)	State-Sponsored Workers' Compensation Reinsurance Organization	Reimburses members for losses under workers' compensation acts	No Form ⁶	990 ¹ or 990EZ ⁸	No
501(c)(28)	National Railroad Retirement Investment Trust	Manages and invests the assets of the Railroad Retirement Account	No Form ¹¹	Not yet determined	No
501(d)	Religious and Apostolic Associations	Regular business activities. Communal religious community	No Form	1065 ⁹	No ²
501(e)	Cooperative Hospital Service Organizations	Performs cooperative services for hospitals	1023	990 ¹ or 990EZ ⁸	Yes
501(f)	Cooperative Service Organizations of Operating Educational Organizations	Performs collective investment services for educational organizations	1023	990 ¹ or 990EZ ⁸	Yes
501(k)	Child Care Organizations	Provides cares for children	1023	990 or 990EZ ⁸	Yes
501(n)	Charitable Risk Pools	Pools certain insurance risks of 501(c)(3)	1023	990 ¹ or 990EZ ⁸	Yes
521(a)	Farmers' Cooperative Associations	Cooperative marketing and purchasing for agricultural procedures	1028	990-C	No
527	Political organizations	A party, committee, fund, association, etc., that directly or indirectly accepts contributions or makes expenditures for political campaigns	8871	1120-POL ¹⁰ 990 or 990EZ ⁸	No

¹For exceptions to the filing requirement, see chapter 2 and the form instructions.

²An organization exempt under a subsection of Code sec. 501 other than 501(c)(3) may establish a charitable fund, contributions to which are deductible. Such a fund must itself meet the requirements of section 501(c)(3) and the related notice requirements of section 508(a).

³Contributions to volunteer fire companies and similar organizations are deductible, but only if made for exclusively public purposes.

⁴Deductible as a business expense to the extent allowed by Code section 192

⁵Deductible as a business expense to the extent allowed by Code section 194A.

⁶Application is by letter to the address shown on Form 8718. A copy of the organizing document should be attached and the letter should be signed by an officer.

⁷Contributions to these organizations are deductible only if 90% or more of the organization's members are war veterans.

⁸For limits on the use of Form 990EZ, see chapter 2 and the general instructions for Form 990EZ (or Form 990).

⁹Although the organization files a partnership return, all distributions are deemed dividends. The members are not entitled to **pass-through** treatment of the organization's income or expenses.

¹⁰Form 1120-POL is required only if the organization has taxable income as defined in IRC 527(c).

¹¹Application procedures not yet determined.

Attachment-B



Department
of the
Treasury

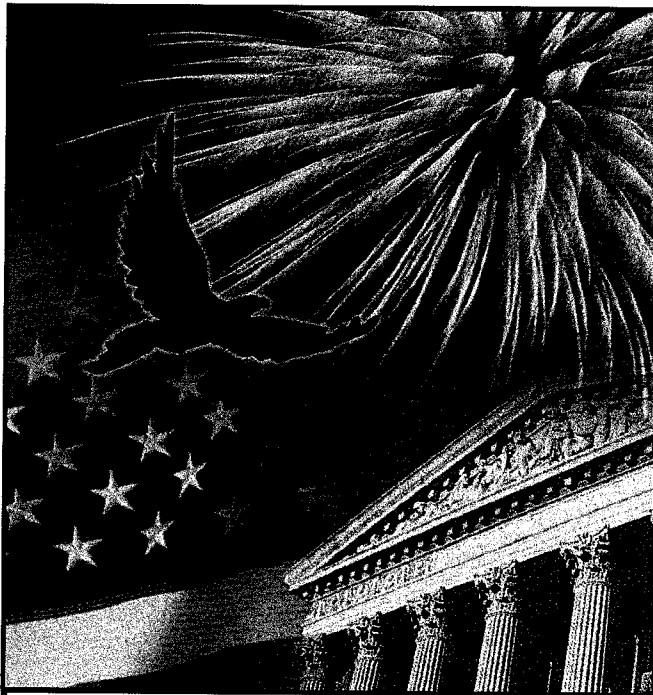
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Publication 517

Cat. No. 15021X

Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing
2006 Returns



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What's New

Increased contribution limits for traditional and Roth IRAs. If you were age 50 or older by the end of 2006, you may be able to contribute up to \$5,000 to your traditional and Roth IRAs. This is an increase of \$500 from 2005.

Traditional IRA deduction expanded for married filing jointly and qualifying widow(er). For 2006, you may be able to take a deduction for traditional IRA contributions if you were covered by a retirement plan at work and your modified adjusted gross income (AGI) is less than \$85,000. This is up from \$80,000 in 2005.

Qualified Roth contribution programs. For tax years beginning after 2005, 401(k) and 403(b) plans can create a qualified Roth contribution program so that participants may elect to have part or all of their elective deferrals to the plan designated as after-tax Roth contributions.

Increased earnings subject to social security. For 2006, the maximum wages and self-employment income subject to social security tax (6.2%) is increased to \$94,200. All wages and self-employment income are subject to Medicare tax (1.45%).

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can

help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

Social security and Medicare taxes are collected under two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the taxes. No earnings are subject to both systems.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy and religious workers.

- Which earnings are taxed under FICA and which under SECA. (See Table 1 to determine whether FICA or SECA applies.)
- How a member of the clergy (minister, member of a religious order, or Christian Science practitioner) can apply for an exemption from self-employment tax.
- How to figure net earnings from self-employment.

This publication also covers certain income tax rules of interest to the clergy.

A comprehensive example shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to the clergy.



In the back of Publication 517 is a set of worksheets that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the *Comprehensive Example*.

Note. In this publication, the term "church" is generally used in its generic sense and not in reference to any particular religion.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the

Table 1. Are You Covered Under FICA or SECA?

Find your occupation in the left column and read across the table to find if you are covered under FICA or SECA. Do not rely on this table alone. Also read the discussion for your occupation in the following pages.

Occupation	Covered under FICA?	Covered under SECA?
Minister	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Member of a religious order who has not taken a vow of poverty	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Member of a religious order who has taken a vow of poverty	YES, if: <ul style="list-style-type: none"> • Your order elected FICA coverage for its members, or • You worked outside the order and the work was not required by, or done on behalf of, the order. NO, if neither of the above applies.*	NO. You are exempt.*
Christian Science practitioner or reader	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Religious worker (church employee)	YES, if your employer did not elect to exclude you. NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA. NO, if you are covered under FICA.
Member of a recognized religious sect	YES, if you are an employee and do not have an approved exemption from the IRS. NO, if you have an approved exemption.	YES, if you are self-employed and do not have an approved exemption from the IRS. NO, if you have an approved exemption.

* The exemption applies only to qualified services, as defined later under *Qualified Services*.

address below and receive a response within 10 business days after your request is received.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

Tax questions. If you have a tax question, visit www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- ☐ **54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- ☐ **525** Taxable and Nontaxable Income
- ☐ **529** Miscellaneous Deductions

- ☐ **535** Business Expenses
- ☐ **590** Individual Retirement Arrangements (IRAs)
- ☐ **596** Earned Income Credit (EIC)

Form (and Instructions)

- ☐ **SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- ☐ **SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- ☐ **Schedule SE (Form 1040)** Self-Employment Tax
- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **1040X** Amended U.S. Individual Income Tax Return

- **4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits
- **4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- **8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes

Ordering publications and forms. See *How To Get Tax Help*, near the end of this publication, for information about getting these publications and forms.

Social Security Coverage

The services you perform in the exercise of your ministry are covered by social security and Medicare under SECA. Your earnings for these services are subject to self-employment tax (SE tax) unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the Internal Revenue Service (IRS) for an exemption from SE tax for your services and the IRS approves your request. See *Exemption From Self-Employment (SE) Tax*, later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see *Binational Social Security (Totalization) Agreements* in Publication 54.

Your earnings that are not from the exercise of your ministry may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See *Qualified Services*, later.

Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax unless you have requested and received an exemption. See *Exemption From Self-Employment (SE) Tax*, later. These earnings are subject to SE tax whether you are an employee of your church or a self-employed person under the common law rules. For the specific services covered, see *Qualified Services*, later.

Ministers Defined

Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to

the prescribed tenets and practices of that church or denomination.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

Employment Status for Other Tax Purposes

Even though, for social security tax purposes, you are considered a self-employed individual in performing your ministerial services, you may be considered an employee for income tax or retirement plan purposes. For income tax or retirement plan purposes, some of your income may be considered self-employment income and other income may be considered wages.

Common-law employee. Depending on all the facts and circumstances, under common law rules you are considered either an employee or a self-employed person. Generally, you are an employee if your employer has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Publication 15-A, *Employer's Supplemental Tax Guide*.

If you are employed by a congregation for a salary, you are generally a common-law employee and income from the exercise of your ministry is considered wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are considered self-employment income.

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

Form SS-8. If you are not certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

Members of Religious Orders

If you are a member of a religious order who has not taken a vow of poverty, your earnings for qualified services you performed as a member of the order are subject to SE tax. See *Qualified Services*, later. This does not apply if you have requested and received an exemption as discussed under *Exemption From Self-Employment (SE) Tax*, later.

Vow of poverty. If you are a member of a religious order who has taken a vow of poverty, you are exempt from paying SE tax on your earnings for qualified services (defined later) you perform as an agent of your church or its agencies. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

Services covered under FICA at the election of the order. Even if you have taken a vow of poverty, the services you perform for your

church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. It can elect coverage for certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You do not pay.

Services performed outside the order.

Even if you are a member of a religious order who has taken a vow of poverty and are required to turn over to the order amounts you earn, your earnings are subject to federal income tax withholding and employment (FICA) tax if you:

- Work for an organization outside your religious community, and
- Perform work that is not required by, or done on behalf of, the order.

In this case, you are considered an employee of that outside organization. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Publication 526, *Charitable Contributions*.

Lay employees. Lay employees generally are covered by social security. However, see *Election by Church To Exclude Their Employees From FICA Coverage*, later, under *Religious Workers (Church Employees)*.

Rulings. Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2007-1, which is published in Internal Revenue Bulletin 2007-1.

You can read this Revenue Procedure at most IRS offices or at www.irs.gov/pub/irs-irbs/irb07-01.pdf.

To subscribe to the Bulletin, you can order it on the Internet at <http://bookstore.gpo.gov/collections/subscriptions/index.jsp>. You also can write to:

Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250-7954.

Christian Science Practitioners and Readers

Your earnings from services you performed in your profession as a Christian Science practitioner or reader are generally subject to SE tax. However, you can request an exemption as discussed under *Exemption From Self-Employment (SE) Tax*, later.

Practitioners. Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. Christian Science practitioners are specifically exempted from licensing by state laws.

Some Christian Science practitioners also are Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

Readers. Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

Religious Workers (Church Employees)

If you are a religious worker (a church employee) and are not in one of the classes already discussed, your wages are generally subject to social security and Medicare tax (FICA) and not to SE tax. Some exceptions are discussed next.

Election by Church To Exclude Their Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes can elect to exclude their employees from FICA coverage. If you are an employee of a church or church organization that makes this election and pays you \$108.28 or more in wages, you must pay SE tax on those wages.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

Election by Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you work for a church (or church-controlled nonprofit division) that does not pay the employer's part of the social security tax on wages. You can make the choice if you are a member of a religious sect or division opposed to social security and Medicare. This exemption does not apply to your service, if any, as a minister of a church or as a member of a religious order.

You can make this choice by filing Form 4029. See *Requesting exemption—Form 4029*, later, under *Members of Recognized Religious Sects*.

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens are not covered under SECA.

To determine your alien status, see Publication 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa. If you are a resident of one of these U.S. possessions and not a U.S. citizen, for SE tax purposes you are treated the same as a citizen

or resident alien of the United States. For information on figuring the tax, see *Self-Employment Tax: Figuring Net Earnings*, later.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are one of the following.

- A minister.
- A member of a religious order who has not taken a vow of poverty.
- A Christian Science practitioner.
- A member of a recognized religious sect.



TIP Members of religious orders who have taken a vow of poverty are exempt from paying SE tax, as discussed earlier under *Members of Religious Orders*. They do not have to request the exemption.

Who cannot be exempt. You cannot be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, *Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners*, for your 1986, 1987, 2000, or 2001 tax year.
- You elected before 1968 to be covered under social security for your ministerial services.

Requesting exemption. Table 2 briefly summarizes the procedure for requesting exemption from the SE tax. More detailed explanations follow.

Table 2. **The Self-Employment Tax Exemption Application and Approval Process**

	Who Can Apply	
	Ministers, Members of Religious Orders, and Christian Science Practitioners	Members of Recognized Religious Sects
How	File Form 4361	File Form 4029
When	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment (at least part from qualified services)	File anytime
Approval	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
Effective Date	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment	First day of first quarter after the quarter in which Form 4029 was filed



CAUTION If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for qualified services, discussed later. It does not apply to any other self-employment income.

Ministers, Members of Religious Orders, and Christian Science Practitioners

To claim the exemption from SE tax, you must meet all of the following conditions.

- You file Form 4361, described later under *Requesting exemption—Form 4361*.
- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement does not apply to Christian Science practitioners.
- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.
- You did not make an election discussed earlier under *Who cannot be exempt*.
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

Requesting exemption—Form 4361. To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least \$400. This rule applies if any part of your net earnings for each of the 2 years came from your services as a:

- Minister,
- Member of a religious order, or
- Christian Science practitioner.

The 2 years do not have to be consecutive tax years.



The approval process can take some time, so you should file Form 4361 as soon as possible.

Example 1. Rev. Lawrence Jaeger, a clergyman ordained in 2006, has net earnings of \$450 in 2006 and \$500 in 2007. He must file his application for exemption by the due date, including extensions, for his 2007 income tax return. However, if Rev. Jaeger does not receive IRS approval for an exemption by April 15, 2008, his SE tax for 2007 is due by that date.

Example 2. Rev. Louise Wolfe has \$300 in net earnings as a minister in 2006, but earned more than \$400 in both 2005 and 2007. She must file her application for exemption by the due date, including extensions, for her 2007 income tax return. However, if she does not receive IRS approval for an exemption by April 15, 2008, her SE tax for 2007 is due by that date.

Example 3. In 2004, Rev. David Moss was ordained a minister and had \$700 in net earnings as a minister. In 2005, he received \$1,000 as a minister, but his related expenses were over \$1,000. Therefore, he had no net earnings as a minister in 2005. Also in 2005, he opened a book store and had \$8,000 in net self-employment earnings from the store. In 2006, he had net earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2004 and 2006 that were \$400 or more each year, and part of the earnings in each of those years was for his services as a minister, so he must file his application for exemption by the due date, including extensions, for his 2006 income tax return.

Death of individual. The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator cannot file an exemption application for a deceased clergy member.

Effective date of exemption. An approved exemption is effective for all tax years after 1967 in which you have \$400 or more of net earnings

from self-employment and any part of the earnings is for services as a member of the clergy. Once the exemption is approved, it is irrevocable.

Example. Rev. Trudy Austin, ordained in 2003, had \$400 or more in net earnings as a minister in both 2003 and 2006. She files an application for exemption on February 19, 2007. If an exemption is granted, it is effective for 2003 and the following years.

Refunds of SE tax. If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040X before the period of limitations ends. This is generally within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund will not be more than the tax you paid within the 2 years immediately before you file the claim.

Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare taxes on both your wages and self-employment income.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you cannot apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security office to find out the amount to be paid back.

Eligibility requirements. To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later under *Requesting exemption—Form 4029*.
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.
4. The Commissioner of Social Security must determine that:
 - a. Your sect or division has the established teachings as in (2) above,
 - b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their

dependent members in a manner that is reasonable in view of the members' general level of living, and

- c. The sect or division has existed at all times since December 31, 1950.

Requesting exemption—Form 4029. To request the exemption, file Form 4029 in triplicate with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the eligibility requirements, discussed earlier. See *Effective date of exemption*, below, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax and you change membership to another recognized religious sect, without any change to your eligibility requirements, then you do not need to file a new Form 4029.

Effective date of exemption. An approved exemption generally is effective on the first day of the first quarter after the quarter in which Form 4029 is filed. It does not apply to any tax year beginning before you meet the eligibility requirements discussed earlier.

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end on the date you notify the IRS.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see *Refunds of SE tax* under *Ministers, Members of Religious Orders, and Christian Science Practitioners*, earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the eligibility requirements discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.



If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, do not report wages you paid to the employee as social security and Medicare wages.

If you have an employee who does not have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

Form W-2. When preparing a Form W-2 for an employee with an approved Form 4029, write "Form 4029" in the box marked "Other." Do not make any entries in boxes 3, 4, 5, or 6.

Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, do not include these exempt wages on Form 941, Employer's QUARTERLY Federal Tax Return; Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; or Form 944, Employer's ANNUAL Federal Tax Return.

On Form 941, check the box on line 4 and write "Form 4029" in the empty space below the check box.

On Form 943, write "Form 4029" to the left of the wage entry spaces on lines 2 and 4.

On Form 944, check the box on line 3 and write "Form 4029" in the empty space below the check box.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which Form 4029 is filed. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Qualified Services

Qualified services, in general, are the services you perform in the exercise of your ministry or in the exercise of your duties as required by your religious order. Income you receive for performing qualified services is subject to SE tax unless you have an exemption as explained earlier. If you have an exemption, only the income you receive for performing qualified services is exempt. The exemption does not apply to any other self-employment income.

The following discussions provide more detailed information on qualified services of ministers, members of religious orders, and Christian Science practitioners and readers.

Ministers

Most services you perform as a minister, priest, rabbi, etc., are qualified services. These services include:

- Performing sacerdotal functions,
- Conducting religious worship, and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it is organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

Services for nonreligious organizations. Your services for a nonreligious organization are qualified services if the services are assigned or designated by your church. Assigned or designated services qualify even if they do not involve performing sacerdotal functions or conducting religious worship.

If your services are not assigned or designated by your church, they are qualified services only if they involve performing sacerdotal functions or conducting religious worship.

Services that are not part of your ministry. Income from services that are not qualified services is generally subject to social security and Medicare tax withholding (not self-employment tax) under the rules that apply to workers in general. The following are not qualified services.

- Services you perform for nonreligious organizations other than the services stated earlier.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign government, or any of their political subdivisions. This is true even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United States, the services are not qualified services.)
- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered qualified services.

Books or articles. Writing religious books or articles is considered to be in the exercise of your ministry and is considered qualified services.

This rule also applies to members of religious orders and to Christian Science practitioners.

Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are qualified services. The services are qualified because you perform them as an agent of the order.

For example, if you are directed to perform services for another agency of the supervising

church or an associated institution, you are considered to perform the services as an agent of the order.

However, if you are directed to work outside the order, the employment will not be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services are not considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to workers in general, not under the rules for services provided as agent for the order. This is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed her to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat's services are not duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are considered duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He does not include the earnings in gross income, and they are not subject to income tax withholding, social security and Medicare tax, or SE tax.

Christian Science Practitioners and Readers

The exemption from SE tax, discussed earlier, applies only to the services a Christian Science practitioner or reader performs in the exercise of his or her profession. If you do not have an exemption, amounts you receive for performing these qualified services are subject to SE tax.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a minister, member of a religious order, Christian Science practitioner, or church employee.

- Regular method.
- Nonfarm optional method.

Internal Revenue Service

Tax-Exempt and Government Entities

Exempt Organizations

Attachment C

tax guide for
**Churches
and
Religious
Organizations**

*benefits and responsibilities
under the federal tax law*

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Introduction

This publication explains the benefits and the responsibilities under the federal tax system for churches and religious organizations. The term church is found, but not specifically defined, in the Internal Revenue Code (IRC). The term is not used by all faiths; however, in an attempt to make this publication easy to read, we use it in its generic sense as a place of worship including, for example, mosques and synagogues. With the exception of the special rules for church audits, the use of the term church throughout this publication also includes conventions and associations of churches as well as integrated auxiliaries of a church.

Because special tax rules apply to churches, it is important to distinguish churches from other religious organizations. Therefore, when this publication uses the term "religious organizations," it is not referring to churches or integrated auxiliaries. Religious organizations that are not churches typically include non-denominational ministries, interdenominational and ecumenical organizations, and other entities whose principal purpose is the study or advancement of religion.

Churches and religious organizations may be legally organized in a variety of ways under state law, such as unincorporated associations, nonprofit corporations, corporations sole, and charitable trusts.

Certain terms used throughout this publication—church, integrated auxiliary of a church, minister, and IRC section 501(c)(3)—are defined in the Glossary on page 23.

Tax-Exempt Status

Churches and religious organizations, like many other charitable organizations, qualify for exemption from federal income tax under IRC section 501(c)(3) and are generally eligible to receive tax-deductible contributions. To qualify for tax-exempt status, such an organization must meet the following requirements (covered in greater detail throughout this publication):

- the organization must be organized and operated exclusively for religious, educational, scientific, or other charitable purposes,
- net earnings may not inure to the benefit of any private individual or shareholder,
- no substantial part of its activity may be attempting to influence legislation,
- the organization may not intervene in political campaigns, and
- the organization's purposes and activities may not be illegal or violate fundamental public policy.

Recognition of Tax-Exempt Status

Automatic Exemption for Churches

Churches that meet the requirements of IRC section 501(c)(3) are automatically considered tax exempt and are not required to apply for and obtain recognition of tax-exempt status from the IRS.

Although there is no requirement to do so, many churches seek recognition of tax-exempt status from the IRS because such recognition assures church leaders, members, and contributors that the church is recognized as exempt and qualifies for related tax benefits. For example, contributors to a church that has been recognized as tax exempt would know that their contributions generally are tax-deductible.

Church Exemption Through a Central/Parent Organization

A church with a parent organization may wish to contact the parent to see if it has a *group ruling*. If the parent holds a group ruling, then the IRS may already recognize the church as tax exempt. Under the group exemption process, the parent organization becomes the holder of a group ruling that identifies other affiliated churches or other affiliated organizations. A church is recognized as tax exempt if it is included in a list provided by the parent organization. The parent is then required to submit an annual group exemption update to the IRS in which it provides additions, deletions, and changes within the group. If the church or other affiliated organization is included on such a list, it does not need to take further action to obtain recognition of tax-exempt status.

An organization that is not covered under a group ruling should contact its parent organization to see if it is eligible to be included in the parent's application for the group ruling. For general information on the group exemption process, see Revenue Procedure 80-27, 1980-1 C.B. 677.

Religious Organizations

Unlike churches, religious organizations that wish to be tax exempt generally must apply to the IRS for tax-exempt status unless their gross receipts do not normally exceed \$5,000 annually.

Applying for Tax-Exempt Status

Employer Identification Number (EIN)

Every tax-exempt organization, including a church, should have an employer identification number (EIN), whether or not the organization has any employees. There are many instances in which an EIN is necessary. For example, a church needs an EIN when it opens a bank account, in order to be listed as a subordinate in a group ruling, or if it files returns with the IRS (e.g., Forms W-2, 1099, 990-T).

An organization that does not have an EIN should file Form SS-4, *Application for Employer Identification Number*, in accordance with the instructions. If the organization is submitting IRS Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* (see below), Form SS-4 should be included with the application.

Application Form

Organizations, including churches and religious organizations, that wish to be recognized as tax exempt under IRC section 501(c)(3) must use Form 1023.

A religious organization must submit its application within 27 months from the end of the month in which the organization is formed in order to be considered tax exempt and qualified to receive deductible contributions as of the date the organization was formed. On the other hand, a church may obtain recognition of exemption for time periods prior to the date of its request for tax-exempt status, even if it does not submit its application within 27 months of formation.

Cost for applying for exemption. The IRS is required to collect a non-refundable fee from any organization seeking a determination of tax-exempt status under IRC section 501(c)(3). Although churches are not required by law to file an application for exemption, if they choose to do so voluntarily, they are required to pay the fee for determination.

The fee must be submitted with Form 1023; otherwise, the application will be returned to the submitter. Fees change periodically and are listed on IRS Form 8718, *User Fee for Exempt Organization Determination Letter Request*, which is used to transmit both the appropriate fee and the application for exemption. The most recent user fee can be found at the Exempt Organizations (EO) Web site under the IRS Tax Exempt and Government Entities division via www.irs.gov/eo or by calling EO Customer Account Services toll-free at (877) 829-5500.

IRS Approval of Exemption Application

If the application for tax-exempt status is approved, the IRS will notify the organization of its status, any requirement to file an annual information return, and its eligibility to receive deductible contributions. The IRS does not assign a special number or other identification as evidence of an organization's tax-exempt status.

Public Listing of Tax-Exempt Organizations

The IRS lists organizations that are qualified to receive tax-deductible contributions in IRS Publication 78, *Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986*. This publication is sold to the public through the Superintendent of Documents, U.S. Government Printing Office, Washington, DC. Publication 78 can also be downloaded from the IRS Web site at www.irs.gov. Note that not every organization that is eligible to receive tax-deductible contributions is listed in Publication 78. For example, churches that have not applied for recognition of tax-exempt status are not included in the publication. Only the parent organization in a group ruling is included by name in Publication 78.

If you have questions about listing an organization, correcting an erroneous entry, or deleting a listing in Publication 78, contact EO Customer Account Services toll-free at (877) 829-5500.

Jeopardizing Tax-Exempt Status

All IRC section 501(c)(3) organizations, including churches and religious organizations, must abide by certain rules:

- their net earnings may not inure to any private shareholder or individual,
- they must not provide a substantial benefit to private interests,
- they must not devote a substantial part of their activities to attempting to influence legislation,
- they must not participate in, or intervene in, any political campaign on behalf of (or in opposition to) any candidate for public office, and
- the organization's purposes and activities may not be illegal or violate fundamental public policy.

Inurement and Private Benefit

Inurement to Insiders

Churches and religious organizations, like all exempt organizations under IRC section 501(c)(3), are prohibited from engaging in activities that result in inurement of the church's or organization's income or assets to insiders (i.e., persons having a personal and private interest in the activities of the organization). *Insiders* could include the minister, church board members, officers, and in certain circumstances, employees. Examples of prohibited inurement include the payment of dividends, the payment of unreasonable compensation to insiders, and transferring property to insiders for less than fair market value. The prohibition against inurement to insiders is absolute; therefore, any amount of inurement is, potentially, grounds for loss of tax-exempt status. In addition, the insider involved may be subject to excise tax. See the following section on *Excess benefit transactions*. Note that prohibited inurement does not include reasonable payments for services rendered, payments that further tax-exempt purposes, or payments made for the fair market value of real or personal property.

Excess benefit transactions. In cases where an IRC section 501(c)(3) organization provides an excess economic benefit to an insider, both the organization and the insider have engaged in an *excess benefit transaction*. The IRS may impose an excise tax on any insider who improperly benefits from an excess benefit transaction, as well as on organization managers who participate in such a transaction knowing that it is improper. An insider who benefits from an excess benefit transaction is also required to return the excess benefits to the organization. Detailed rules on excess benefit transactions are contained in the Code of Federal Regulations, Title 26, sections 53.4958-0 through 53.4958-8.

Private Benefit

An IRC section 501(c)(3) organization's activities must be directed exclusively toward charitable, educational, religious, or other exempt purposes. Such an organization's activities may not serve the private interests of any individual or organization. Rather, beneficiaries of an organization's activities must be recognized objects of charity (such as the poor or the distressed) or the community at large (for example, through the conduct of religious services or the promotion of religion). Private benefit is different from inurement to insiders. Private benefit may occur even if the persons benefited are not insiders. Also, private benefit must be substantial in order to jeopardize tax-exempt status.

Substantial Lobbying Activity

In general, no organization, including a church, may qualify for IRC section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation (commonly known as lobbying). An IRC section 501(c)(3) organization may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status.

Instructions for Form 1023

(Rev. June 2006)



Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Section references are to the Internal Revenue Code unless otherwise noted.

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What's New

The user fee for the initial application for recognition of exemption under IRC Section 501(c)(3) has been increased. Part XI of Form 1023 has been revised to reflect the new fee. See Rev. Proc. 2006-8, 2006-1 I.R.B. 245 for more information about user fees that may be applicable to tax-exempt organizations.

How To Get Forms and Publications

Personal Computer

You can access the IRS website 24 hours a day, 7 days a week at www.irs.gov to:

- Order IRS products online.
- Download forms, instructions, and publications.
- Get answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email.

CD-ROM

You can order Publication 1796, IRS Tax Products CD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD — Ships with the final release.

- Tax Map: an electronic research tool and finding aid.
- Tax Law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The CD is released twice during the year.

- o The first release will ship the beginning of January 2007.
- o The final release will ship the beginning of March 2007.

Purchase the CD from National Technical Information Service at www.irs.gov/cdorders \$25 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll-free to buy the CD for \$25 (plus a \$5 handling fee). Price is subject to change.

By Phone and In Person

You can order forms and publications by calling **1-800-TAX-FORM** (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Overview of Section 501(c)(3) Organizations

Who Is Eligible for Section 501(c)(3) Status?

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Form 1023 not necessary. The following types of organizations may be considered tax exempt under section 501(c)(3) even if they do not file Form 1023.

- Churches, including synagogues, temples, and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization that has gross receipts in each taxable year of normally not more than \$5,000.

Form

SS-4**Application for Employer Identification Number**

OMB No. 1545-0003

(Rev. February 2006)

Department of the Treasury
Internal Revenue Service

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

▶ See separate instructions for each line. ▶ Keep a copy for your records.

EIN

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name

4a Mailing address (room, apt., suite no. and street, or P.O. box)

5a Street address (if different) (Do not enter a P.O. box.)

4b City, state, and ZIP code

5b City, state, and ZIP code

6 County and state where principal business is located

7a Name of principal officer, general partner, grantor, owner, or trustor

7b SSN, ITIN, or EIN

8a Type of entity (check only one box)☐ Sole proprietor (SSN)☐ Partnership☐ Corporation (enter form number to be filed) ▶☐ Personal service corporation☐ Church or church-controlled organization☐ Other nonprofit organization (specify) ▶☐ Other (specify) ▶☐ Estate (SSN of decedent)☐ Plan administrator (SSN)☐ Trust (SSN of grantor)☐ National Guard☐ Farmers' cooperative☐ REMIC

Group Exemption Number (GEN) ▶

☐ State/local government☐ Federal government/military☐ Indian tribal governments/enterprises

8b If a corporation, name the state or foreign country (if applicable) where incorporated

State

Foreign country

9 Reason for applying (check only one box)☐ Started new business (specify type) ▶☐ Hired employees (Check the box and see line 12.)☐ Compliance with IRS withholding regulations☐ Other (specify) ▶☐ Banking purpose (specify purpose) ▶☐ Changed type of organization (specify new type) ▶☐ Purchased going business☐ Created a trust (specify type) ▶☐ Created a pension plan (specify type) ▶

10 Date business started or acquired (month, day, year). See instructions.

11 Closing month of accounting year

12 First date wages or annuities were paid (month, day, year). **Note.** If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year)

13 Highest number of employees expected in the next 12 months (enter -0- if none).

Do you expect to have \$1,000 or less in employment tax liability for the calendar year? ☐ Yes ☐ No. (If you expect to pay \$4,000 or less in wages, you can mark yes.)

Agricultural

Household

Other

14 Check one box that best describes the principal activity of your business.

☐ Construction☐ Rental & leasing☐ Transportation & warehousing☐ Real estate☐ Manufacturing☐ Finance & insurance☐ Health care & social assistance☐ Accommodation & food service☐ Other (specify)☐ Wholesale-agent/broker☐ Wholesale-other☐ Retail

15 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.

16a Has the applicant ever applied for an employer identification number for this or any other business? **Note.** If "Yes," please complete lines 16b and 16c.☐ Yes☐ No

16b If you checked "Yes" on line 16a, give applicant's legal name and trade name shown on prior application if different from line 1 or 2 above.

Legal name ▶

Trade name ▶

16c Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known.

Approximate date when filed (mo., day, year)

City and state where filed

Previous EIN

Third**Party****Designee**

Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

Designee's name

Address and ZIP code

Designee's telephone number (include area code)

Designee's fax number (include area code)

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (type or print clearly) ▶

Applicant's telephone number (include area code)

Applicant's fax number (include area code)

Signature ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 16055N

Form **SS-4** (Rev. 2-2006)

Attachment - F

**ARTICLES OF INCORPORATION
OF
Church On The Road, Inc.**

ONE:

The name of the corporation is Church On The Road, Inc. The address for the initial registered office is 500 Arba Street, Montgomery, AL 36104. The corporation is organized pursuant to the Alabama Nonprofit Religious Corporation Code under God.

TWO:

Purpose. This religious organization was established in 1982. This religious organization has several integrated auxiliaries of a church, such as PDI Ministries, Inc., William Paul Ministries, Inc., National Faith Based Chambers of Commerce, Inc., and others to aid the Body of Jesus Christ.

This religious organization is/are typically organized to engage in sacerdotal functions: Ordination of Ministries, Baptisms, Weddings, Funerals, Holy Communion, Teachings, Preachings, Baby Dedications, Spiritual & Economic Guidance regular conducting of Worship Service.. A portion of its funds has to be used for a stated purpose. The balance can be used for operations, marketing, administration, etc. (just like every other charity).

Full Government Recognition. This recognition is without inherent disadvantages of other corporations or entities. This corporation is incorporated by law, in order to give it legal capacities and advantages that other corporations are not allowed.

Non-Profit Status. This religious organization is recognized by the IRS as a status 501 (c) (3) need not be applied for and granted by the IRS.

Simplified, Self-Structured Management. Adversarial attorneys have no substantive means to entrap or to enforce laws that would allow courts to pierce the corporate veil the only valid or wanton acts committed against the government or the public.

Self Ruled. Statutory Law does not mandate or require an "Arms Length" test for management of this religious organization activities (unlike Trusts which the state and federal laws require and adhere to arm's length standards as in the Grantor/Settler relationship to the Trust). It is like a Kingship, designed to be self ruled by the creator. It has the authority to "declare" or the "right to rule" as does a king.

Lawful Business. This religious organization can be engaged in any lawful occupation, business or profession. All earnings from the lawful exempt from income tax. In fact, no state or federal tax returns are to be filed.

Provides for Needs. This religious organization can be responsible to provide for all: i.e. shelter, food, transportation, clothing, medical, etc of the agent of the religious order. This occurs by first conveying all that you own and all future earnings to religious order or activities. The agent of the religious order may or may not make a record vow of poverty.

This lets the world know that you are now a pauper and own nothing. If choose the vow of poverty, if work outside the religious order as an agent you do so on behalf of the religious order. None of these earnings are taxable because they are paid directly to the religious order or activities.

Gifts and Donations. This religious order or activities may receive tax-deductible gifts and contributions under section 170 (c) (2). (You may want to see a tax professional for the best way to accomplish this because of the Complexities of the tax code). It is exclusively responsible for how its funds are disbursed. It can gift anything to anyone in any amount, for any purpose, or, for no purpose.

Property Tax. As a non-profit institution, real property owned by the religious order or activities should become exempt from property tax just as are chapels, temples, mosques, synagogues, youth camps, schools, dormitories, etc. conveying title to the religious order or activities does not relieve you of your responsibility to continue meeting your contractual obligations (i.e. mortgage payments) nor forestall foreclosure proceedings.

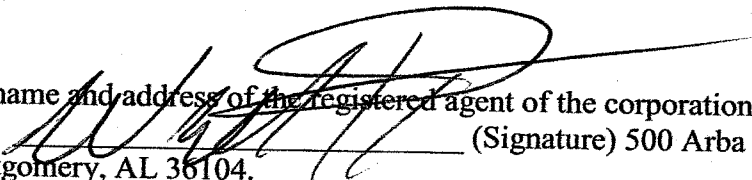
Records. This religious organization are\is required to maintain meticulous records of dealings. However it is charged with never divulging those records.

Titles. As incorporator, you may be the Trustee-in-Trust, Patriarch, President, Bishop, Chief Priest, Minister, Pastor, Administrator, Overseer, etc. While some of these titles sound religious, they are simply titles and should in no way pose any conflicts or compete in any way with your church or religion.

THREE:

The duration of this corporation shall be perpetual, no stock and shall have no members.

FOUR:

The name and address of the registered agent of the corporation shall be William Paul,  (Signature) 500 Arba Street, Montgomery, AL 36104.

- (a) This corporation is organized and operated exclusively for Religious purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code.
- (b) Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on by a Religious corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.


FIVE:

The property of this corporation is irrevocably dedicated for Religious purposes

SIX:

The Directors are elected in accordance with the Bylaws. A Director must be at least 18 years of age. The number of Directors shall be three (3).

Executed on May 7, 2007, the name and residence address of the persons appointed to act as the initial directors and the signature incorporators of this corporation shall be, In Witness Whereof, I have signed these articles and acknowledge same to be my act.

<i>Name</i>	<i>Incorporator Signature</i>	<i>Address</i>
Willam Paul President		500 Arba Street Montgomery, AL 36104
Donna Paul Secretary		500 Arba Street Montgomery, AL 36104
Donna Paul Treasurer		500 Arba Street Montgomery, AL 36104

STATE OF ALABAMA
MONTGOMERY CO.
I CERTIFY THIS INSTRUMENT
WAS FILED ON

2007 MAY -7 PM 1:00

REESE MCKINNEY, JR.
JUDGE OF PROBATE

Church On The Road

CHURCHES

A separate 501 (c) (3) tax-exempt corporation and Grant (Proposal) Writing Program, must be set-up to

receive funding for the following programs plus more. The programs consist of, but shall not be limited to: outreach advocacy, housing, computer literacy, counseling, land acquisition, elderly care, child care, youth at high risk, physical, mental, and emotional handicaps, inadequate housing, and many other programs to place those in need back into the mainstream of life.

CHURCH OF INCLUSION.....

NOT EXCLUSION

THE ROLE OF THE CHURCH

*Serving people both naturally and spiritually
Matthew 6:33 & 25:31-46 and Luke 10:25-37*

"In the midst of much economic change and social reaction, the church must provide multifaceted services, which focus on economic self-sufficiency and community restoration in order to maintain her relevancy to the God we serve and to the country in which we live". Minister, William D. Paul Ph.D, National Economist & Planner



Most Commonly Asked Questions

Q. What is a church?

A. The word "church" has come down to us in the English language from the Greek word, ekklesia. As we speak our native tongue, we create mental pictures so we are constantly converting words into picture scenes. So, when we say the word church, imagery is created of chapels, bricks, stone, steeples and perhaps bells ringing on the Sabbath day. However, our Lord said in the New Testament, "For where two or three are gathered together, there am I in the midst of them" Matthew 18:20. The truth of the matter is that families and groups of a family make up an ekklesia as long as they gather out, in and for Christ... An ekklesia is translated from the Greek as ...Those who are gathered out in Christ... Quite a contrast to the present understanding of the church concept.

Q. What must I do to be saved?

A. According to John 3:16, For God so loved the world, that he gave his only begotten Son, that whosoever believeth in him should not perish, but have everlasting life.

Q. I believe in Jesus. What do I do next in order to have everlasting life?

A. According to Matthew 6:33, but seek first the kingdom of God and his righteousness; and all these things shall be added unto you.

Q. What is the kingdom of God and righteousness in order to obtain eternal life?

A. Matthew 25:34-37 states, ³⁴ Then shall the King say unto them on his right hand, Come, ye **blesed of my Father inherit the kingdom** prepared for you from the foundation of the world: ³⁵ For I was an hungered, and ye gave me meat: I was thirsty, and ye gave me drink; I was a stranger, and ye took me in: ³⁶ Naked, and ye clothed me: I was sick, and ye visited me: I was in prison and ye came unto me. ³⁷ Then shall the **righteous** answer him... Matthew 25:40 - And the King shall answer and say unto them, Verily I say unto you, Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me.

A Historical Perspective

By : Bishop William D Paul

Attachment C-Profile

Church On The Road



INTEGRATED AUXILIARIES

Faith Based Chambers of Commerce

FAITH BASED Initiatives Veterans RePAIR, INC.

Rheumatology Specialist

Arthritis & Osteoporosis Center, INC

PDI MINISTRIES, INC

501(C)(3) & GRANTWRITING

Obtaining \$1 Homes, Veterans & Health Programs

Bishop William D Paul, President

500 ARBA STREET

MONTGOMERY, AL 36104 (334) 264-9644

1201 PEACHTREE STREET, NE, 400 COLONY SQUARE,

ATLANTA, GA 30361 (334) 404-870-9080

A Historical Perspective

In 1984, I met a man who appeared to be homeless outside of Mary Mack Restaurant on Ponce de Leon in Atlanta, Georgia. He asked me if I could spare a dollar. I did and a conversation ensued. He told me that he had been with Jesus the night before. We spoke further and he taught me about the Word of God. At the time I worked with Fulton County Office of Economic Development as an Economic planner II and was nicely attired. He informed me that when Jesus returned, He would not be dressed like or look like me. But, He would come as a thief in the night. The homeless man appeared to be very knowledgeable and I was mesmerized. He went on to speak further about the bible and quoted many scriptures. He then told me that I would travel throughout this country and gave me a command. He stated that wherever I traveled, I should ask 'who is Mel-chis'e-dec?' (Hebrews Chapters 5, 6, & 7)? He then stated he would see me again.

Prior to this encounter, in 1980, after graduating from the University of Minnesota, I accepted a position in Georgia, in the Governor's Office of Planning and Budget Management Review as a Health Statistical Planner II.

I looked out my window and noticed several homeless people. My colleagues said, "look at those low life". A bad feeling ran inside of me. Those people reflected my past life experience. Those "low life" were me at one time. A few days later the same colleagues and I went to lunch and a homeless person approached us and asked for money for food. I gave it to him. They said 'no' and criticized me calling me a 'goodie, goodie, two shoes'. As I later became more aware of the bible and its teachings, I came to realize that this homeless person was Jesus (Matthew 25:31-46). A few weeks later while walking down Marietta Street, I met a homeless family—a woman with three children. She asked for money for food for her children and herself. I gave it to her.

In 1981, while working in the state of Georgia governor's office, I met a lady by the name of Sherri Dorris who was a director with the Department of Human Resources in the Public Health section. She told me about Pastor Jonathan Greer of Cathedral Church of God in Christ on Avon Avenue who was applying for a grant to decrease teenage pregnancy. I met with him and told him of my encounters with the homeless people and my desire to decrease homelessness. We discussed the need for the church to meet the needs of those who are less fortunate. He then gave me an illustration of how the church is not meeting the needs of God's people. He asked me, "How can I bring the homeless to Christ when they need food, clothing and shelter?" James 2:14-17 states, ¹⁴ 'What doth it profit, my brethren, though a man say he hath faith, and have not works? Can faith save him?' ¹⁵ If a brother or sister be naked, and destitute of daily food, ¹⁶ And one of you say unto them, Depart in peace, be ye warmed and filled; notwithstanding ye give them not those things which are needful to the body; what doth it profit? ¹⁷ Even so faith, if it hath not works, is dead, being alone. We must provide their basic needs. From there, we could bring them to Christ. He told me that my help was needed in the Church and asked for my assistance. I volunteered my services and taught many of his people how to establish several outreach programs. I then was asked to assist Hensley Tabernacle Church of God in Christ. We continued at Saint Luke's Episcopal Church where I became the first Executive Director of Economic Development.

"Let your light so shine that others will see your good work and glorify the Father which art in heaven". Matthew: 5:16

Be a good Samaritan and have everlasting life.

Luke 10:25-36

This brings me back to 1984 at Mary Mack's Restaurant on Ponce de Leon. After speaking with the homeless man, the Holy Spirit spoke to me. He led me to resign my position with Fulton County Office of Economic Development. I was led to pursue the Church On The Road and spread the Gospel of Self-Help throughout this country. The Holy Spirit led me to call this Church on the Road, The Ministry of Economic Development.

My first stop on the road was Memphis, Tennessee at Mason Temple Church of God in Christ, where Dr. Martin Luther King, Jr. gave his last speech on economics. It is here that I gave my first speech on the Ministry of Economic Development. Since inception, I have traveled to 43 states preaching and teaching the gospel of self-help, both spiritual and natural, to millions throughout America.

WELCOME TO THE CHURCH ON THE ROAD!!

Luke 10: 25-37 ...Master, what shall I do to inherit **eternal life**? Answer: Be a good Samaritan – Help your neighbor.

"Faith without works is dead. Show me your works and I will show you your faith. But faith alone is dead".

James 2: 14-26

Church of the Living God in Christ, Inc.

Bishop John W. West, Founder
CERTIFICATE OF ORDINATION
BISHOP

THIS IS TO CERTIFY THAT after a satisfactory relation of his Christian experience and proof of his call to the Ministry, we publicly ordain Brother WILLIAM D. PAUL to the Gospel Ministry.

We hereby recommend him in such office to all the Churches of the Living God in Christ, I Thess. 2:4, and to all Christians everywhere, as long as the present unity of the Spirit exists and while he maintains a Godly life, and a Scriptural standard in teaching, on the 17 th day of AUGUST

20 01, by order of the Church of the Living God in Christ, Inc.'s INTERNATIONAL

Jurisdiction in the State of U . S . A .

JOHN W. WEST
 Presiding Bishop
 1st Administrative Assistant
 Louise Stewart
 1st Assistant Presiding Bishop
 Foster Lee Wallace, Jr.
 2nd Assistant Presiding Bishop
 Curtis Sherrod
 3rd Assistant Presiding Bishop
 Don Herman Johnson
 General Secretary
 Louise Stewart

Robert W. West
 Presiding Bishop

Louise Stewart
 General Secretary

